

Arizona Health Care Cost Containment System



Quarterly Report

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April 1 - June 30, 2000

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Executive Summary

This Quarterly Report covers the period from April 1, 2000 through June 30, 2000. Several important developments occurred during the quarter regarding the ALTCS program. For the first time since the inception of the ALTCS/EPD program in January 1989, members in Maricopa County will be provided a choice of program contractors effective October 1, 2000. On June 1, 2000, AHCCCS awarded contracts totaling \$290 million annually to three Arizona health care companies: Maricopa Long Term Care Plan, Lifemark Health Plans, and Mercy Care Plan. The contracts are for a three-year period with an option to renew for two additional years. Individuals with developmental disabilities (DD) will continue to receive health care under a contract with the Arizona Department of Economic Security (DES).

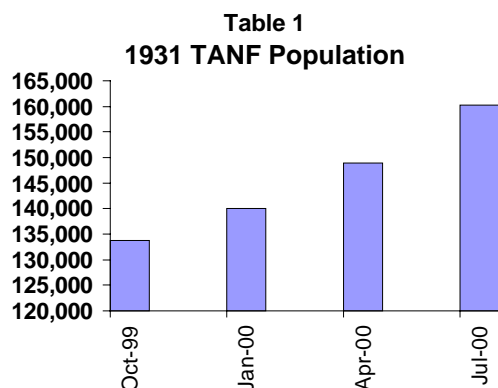
During the quarter, the agency also received notification that the program's HCBS cap had been lifted retroactively to October 1, 1999. This change removes the cap, which had been in place since the beginning of the program ALTCS/EPD program. The removal of the cap permits the agency to respond to growth in services such as Alternative Residential Living facilities, an increasingly popular option for individuals.

The agency also received positive results of an April 2000 survey conducted by the Behavior Research Center of 734 Arizona households. The results showed that about 70 percent of households surveyed have some degree of familiarity with AHCCCS, a much higher rate than anticipated. The survey also displayed that the number of households with a positive impression of AHCCCS outweighed those households with a negative impression by more than 2 to 1. During the quarter the agency continued preparations for a Member Satisfaction Survey 2000 of acute care members and continued preparations for an extensive 2-part survey of ALTCS members.

AHCCCS Population

On July 1, 2000, the AHCCCS Title XIX population totaled 460,533 individuals. This included 431,502 individuals in the acute care program and 29,031 ALTCS members (see Table 1).

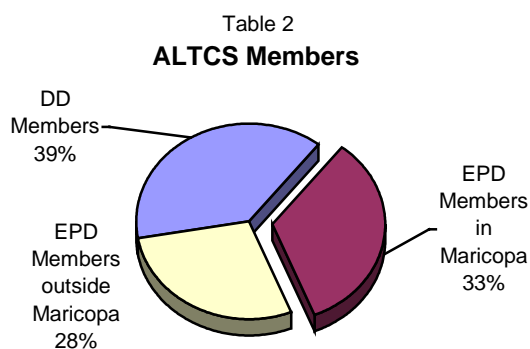
During the quarter, the AHCCCS population increased by approximately 2.9% from 447,398 individuals on April 1, 1999. Part of this increase is attributed the increased general knowledge that individuals may be eligible for Title XIX medical assistance without being TANF cash eligible. This is the result of the delinking of the TANF cash population from the Title XIX 1931 population on November 1, 1999.



New Developments

ALTCS/EPD Members to Get Choice of Program Contractor

On June 1, 2000, AHCCCS awarded contracts totaling \$290 million annually to three Arizona health care companies to provide elderly and physically disabled (EPD) ALTCS members with a choice of ALTCS Program Contractors beginning October 1, 2000. Maricopa Long Term Care Plan, a program contractor for Maricopa County since the beginning of Arizona's long term care program in 1989, will be joined by Lifemark Health Plans (formerly Ventana Health Systems) which currently serves several other Arizona counties and Mercy Care Plan, a current provider of AHCCCS acute care, but a newcomer to long term care. The 3-year contracts, with options to renew for two additional years, cover services for EPD members while individuals with developmental disabilities (DD) will continue to receive health care under a contract with the Arizona Department of Economic Security (DES).



Enrollment choice must be offered to EPD ALTCS applicants and members whose county of fiscal responsibility is Maricopa County, and members whose county of fiscal responsibility changes to Maricopa and their current program contractor is not available in Maricopa County (see Table 2). Enrollment choice does not apply when the applicant or member is developmentally disabled, is a Native American

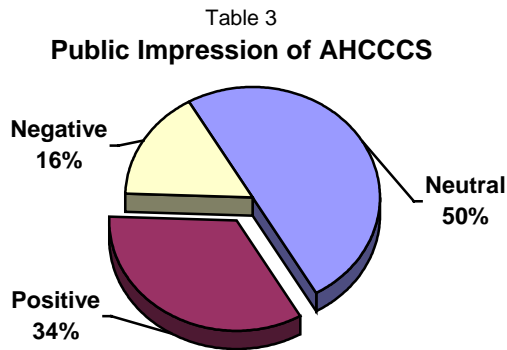
with on-reservation status, or is disenrolled with one of the three program contractors available in Maricopa County, then reapplies for ALTCS and is approved within 90 days of the disenrollment.

To permit effective planning, members who select one of the new program contractors will be transitioned to the program contractor of their choice during a three-month period beginning October 1, 2000. Once enrolled with a program contractor, the member will remain enrolled with that program contractor until his or her anniversary date. Prior to the anniversary date, the member will be permitted to change to a different program contractor serving Maricopa County only when specific conditions exist. Members will be given the opportunity to change enrollment annually.

This new development was initiated by the Arizona Legislature in 1997 because lawmakers sought a wider choice of providers for Medicaid members. A competitive system was considered the best method of creating broader choice and innovative offering for EPD ALTCS members.

AHCCCS Image Fares Well in Poll

An April 2000 survey conducted by the Behavior Research Center of 734 Arizona households showed that 7 of 10 households have some degree of familiarity with AHCCCS, a much higher rate than anticipated. The survey also showed the number of households with a positive



impression of AHCCCS outweighed those households with a negative impression by more than 2 to 1. However, fully half of those households with some familiarity of AHCCCS reported a neutral impression of the agency (see Table 3).

The survey also found that, of those households with some familiarity with AHCCCS, more than 60% formed their impressions from personal experience or the experiences of friends and

family. Only one in four households formed their impression from the news media. Other findings include:

- 81% of respondents did not believe AHCCCS services should be reduced;
- 77% believed AHCCCS does not cover all the people it should;
- 61% believe the program is too complicated and bureaucratic; and
- 70% believe AHCCCS provides a health care program as good as any available to the public.

New Medical Director Comes on Board

On June 1, 2000 Dr. Charles “CJ” Hindman became Chief Medical Officer of the Office of Medical Management at AHCCCS. Dr. Hindman assumes responsibility from Dr. Leonard Jasinski who left the agency on May 5, 2000 to set up a private medical practice in Prescott, Arizona after 3 years as the AHCCCS Medical Director.

Dr. Hindman comes to AHCCCS after serving as medical director of Mercy Care Plan for 7 years. He has also worked as medical director of the Department of Economic Security/Division of Developmental Disabilities (DES/DDD), as an emergency room physician at Tucson Medical Center, and as a flight surgeon with the U.S. Air Force. Dr. Hindman also has experience in private practice, as an instructor in internal medicine at the University of Southern California, and has worked as a designated medical examiner with the Federal Aviation Administration.

Updates

Hawaii/Arizona PMMIS Alliance (HAPA) Project

The project is slightly ahead of schedule and work continued on the design, development and implementation of the PMMIS for Hawaii in the following areas:

- The Hawaii [eligibility] Interface (HAWI) testing began Posting, Enrollment and Notices. Preliminary test data from HAWI service organization will be processed during the next reporting period and roster output files will be passed on to the Hawaii health plans for their own testing.
- The coding for the dental and medical enrollment has been completed and unit testing has started. Coding for the behavioral health enrollment and the daily rosters has started and will be completed during the next reporting period.
- The coding and unit testing of both the pre-syntax/duplicate program and the initial encounter load program have been completed. Work continues on the coding of the health plan encounter interface.
- AHCCCS users began testing the dental encounters.
- Unit testing has started for the provider batch processes. Full integration testing begin when a new health plan test file is received from Med-Quest Division (MQD).
- Coding for the provider and reference on-line systems will be completed in the next reporting period, once the issues with the MQD provider license interface are resolved.
- No coding has been done on the Clinical Laboratory Improvement Act (CLIA) federal license interface; Hawaii has not processed this information in the past two years. The current file specifications have been requested from HCFA.
- Work on the reporting section is on hold temporarily, giving priority to the others systems.
- System configuration for Hawaii continues with focus on system security and CONTROL-D.
- The development of training materials for the Call Center and Member File Integrity Section (MFIS) continues.
- The Recipient and Encounter User Manuals were delivered to Hawaii for review, and work has begun on the Provider User Manual and the Participants Guide for the Recipient System training.
- AHCCCS will be rewriting the Hawaii Health Plan Manual, incorporating the PMMIS where applicable.

Acute Care Program

Doctor's Health Plan Contract Ends

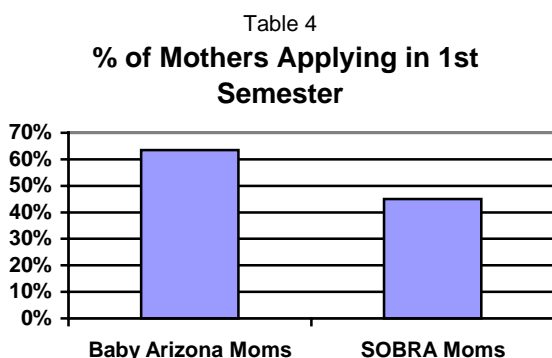
Doctor's Health Plan, which served members in Graham and Greenlee counties, canceled its contract effective May 1, 2000. At that time, Mercy Care Plan assumed responsibility for members assigned to the Doctor's Health Plan and these members were offered the opportunity to change health plans during a special open enrollment period held during the month of May. AIPA is the other health plan contracted to provide services in Graham and Greenlee counties.

Operational and Financial Reviews

During the quarter, reviews were conducted of Arizona Health Concepts, Mercy Care Plan, and University Family Care. Reviews for Phoenix Health Plan/Community Connection, Pima Health Plan, and Health Choice Arizona were also finalized during the quarter. A scoring tool will be used to analyze the individual performance of each of the health plans during the review and to allow a performance comparison of the health plans.

Baby Arizona Completes 6th Year of Operation

Enrollment of pregnant women into AHCCCS through the Baby Arizona Project was down from the previous quarter, but continues to show that expectant mothers are utilizing the program early in their pregnancies. From April through June, 1,520 pregnant women applied for medical coverage and enrolled in an AHCCCS health plan through Baby Arizona's streamlined process of accessing care. Of those women, 965 (63.5 percent) were in their first trimester of pregnancy. As



noted in the previous quarter's report, a medical chart study found that the rate of first-trimester care among SOBRA mothers who did not utilize the Baby Arizona program was 45 percent (see Table 4). These figures include only those women who enrolled in a health plan at the time of application, and do not include women who were covered under the SOBRA Family Planning Services Extension (FPSE) at the time they became pregnant again.

Women in the FPSE program may use the shorter, simpler AHCCCS application through Baby Arizona, but do not re-enroll in a health plan.

Training of physician-office staff continued during the quarter with 7 training sessions and 60 people attending. The sessions were held in Phoenix, Tucson, Yuma, Kayenta, Springerville and Hilldale, Utah (which serves the extreme northwestern corner of Arizona). DES is providing training for physician-office staff on a quarterly basis, as well as for DES local office staff who receive and process the provider-referred applications.

Outreach through community events also continued around the state, including health fairs, cultural celebrations, concerts and neighborhood/community events. The majority of events were in Maricopa and Pima counties, but also included health and baby fairs in rural counties such as Greenlee and Santa Cruz. Volunteers and hourly workers who have either utilized the program or are part of the Baby Arizona/Healthy Start South Phoenix Project teen group staffed these events, and also handed out information at grocery stores and shopping malls during the quarter.

Baby Arizona completed its sixth operational year on June 30, 2000. Efforts are under way to increase collaboration between Baby Arizona and other quality-management activities within the Office of Medical Management (OMM), and to ultimately institutionalize the program within AHCCCS Administration.

Member Satisfaction Survey 2000

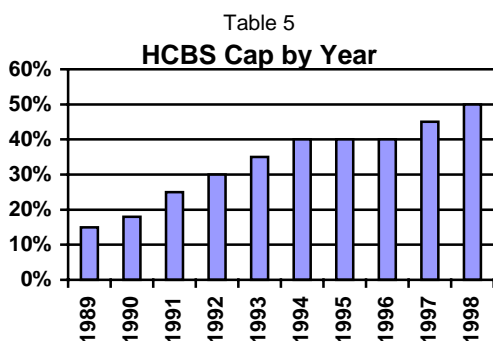
The survey tool for the Member Satisfaction Survey 2000 was completed during the quarter and mailed to members in early June 2000. Two survey tools, one for children and one for adults, were sent out with follow-up scheduled to begin in July 2000.

ALTCS Program

ALTCS/EPD HCBS Cap Lifted

In mid-April 2000, the agency received notification that the program's HCBS cap had been lifted retroactively to October 1, 1999. This change will remove the cap, which had been in place since the inception of the ALTCS elderly and physically disabled (EPD) program on January 1, 1989. Prior to HCFA's decision, the latest cap was set at 50 percent of the EPD population, although

early in the program's existence, the cap was set as low as 15 percent of the EPD population (see Table 5).



The removal of the cap will permit the agency to look ahead to growth in services such as Alternative Residential Living facilities and in-home services - increasingly popular options for individuals. The removal of the cap will also free up additional administrative resources that had previously been dedicated to monitoring and

renewing the cap.

Operational and Financial Reviews

During the quarter, reviews were conducted of Pinal LTC, Yavapai LTC, and Cochise LTC. The reviews focused on areas in which the program contractors previously had low levels of

compliance, new contractual requirements in the contract year 2000 contract, and in areas of critical importance.

The program contractors generally had excellent levels of compliance in new contractual requirements. There was improvement in areas where contractors had previously faced challenges. In addition, corrective action plans have been implemented by program contractors who have difficulty providing adequate notice when services are denied or terminated and in EPSDT Behavioral Health monitoring. The agency plans to provide training to strengthen compliance in these areas.

Consumer Expectations and Choice Survey Project

On May 9, 2000, the Health Services Advisory Group (HSAG) was awarded the contract for the Arizona Long Term Care Consumer (Current and Future) Expectations Regarding Expanded Choices project. This project is the result of a grant that AHCCCS received from the Flinn Foundation and represents a golden opportunity to survey ALTCS members in Maricopa County before and after they receive the opportunity to select their program contractor beginning on October 1, 2000.

The goal of the project is threefold:

- Determine whether multiple contractors have a material effect on the quality of service provided and degree of member satisfaction;
- Determine whether the current array of services is adequate for present and future needs; and
- Gain a clearer understanding of the needs of the population through an analysis of their needs, acuity, and socio-demographic status.

During the quarter, the initial ALTCS Member Satisfaction Steering Committee was conducted with members from AHCCCS, HSAG, Arizona State University Research Laboratory (ASURL), and a national panel of long term care experts. Phase II of the project, which also included conducting a series of four to six focus groups to determine what future issues are important to individuals in both nursing home s and the community is scheduled to be completed by the fall of 2000.

Behavioral Health

Psychotropic Medication Initiative

Based on the initial success of the Psychotropic Medication Initiative begun on October 1, 1999, AHCCCS plans to expand membership of the Psychotropic Medication Workgroup to further evaluate the effectiveness of this model and to address broader integration of care issues between the primary health and behavioral health systems of care. In addition, the workgroup will explore the feasibility of designing a shared database to improve real time access to member information by PCPs and Regional Behavioral Health Association (RBHA) psychiatrists. The Psychotropic Medication Workgroup is currently comprised of representatives from contractors, government agencies and the Arizona Medical Association.

Technical Interface Guidelines

The AHCCCS Behavioral Health Unit, working with representatives from the Information Services Division, developed a Technical Interface Guideline (TIG) document for the Arizona Department of Health Services, Division of Behavioral Health Services (ADHS/DBHS). The TIG describes the specific technical and procedural requirements for interfaces between AHCCCS and ADHS/DBHS and identifies all regular production system reports and rosters as well as their format and layout.

In addition, the TIG provides ADHS/DBHS with a schedule of the reports, their frequency, and report samples. Prior to the development of the TIG, there was no principal method of tracking and monitoring the usefulness of the system reports that were delivered to ADHS/DBHS.

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